

# STATE ADMINISTRATION

## **LEGISLATIVE / EXECUTIVE**

This section includes the budgets of constitutional officers, the Legislature, agency secretaries, general government departments and budget items, and budget control sections.

### **0502 Office of the Chief Information Officer**

The Administration requests 49 positions and \$7.8 million (Department of Technology Services Revolving Fund) to establish a centralized information technology (IT) management department and ensure that project specific activities are coordinated with other departments and reflect the state's policies and direction for information technology development.

This request is based on the passage of Chapter 533, Statutes of 2006 (SB 834, Figueroa), which established an Office of the Chief Information Officer (OCIO) and prescribed duties including: (1) advising the Governor on IT issues; (2) minimizing overlap and redundancy of state IT operations; (3) coordinating the activities of agency information officers; (4) advancing organizational maturity and capacity in IT management; and (5) establishing performance measures for IT systems and services.

According to the bill author's office, "Though the state has a chief information officer, it is not a statutory position, but a designation given to one of the governor's employees, thus the CIO has no specific authority. The author indicates that experts, both inside and outside of state government, have been calling for the establishment of a statutory CIO."

The OCIO would incorporate the project oversight and review function of the Department of Finance's Office of Technology Review, Oversight, and Security (OTROS). (Information security components also now housed in the Department of Finance would shift to the State and Consumer Services Agency.) Twenty-six positions in OTROS would move to the new Office of the Chief Information Officer to continue the project oversight and review activities.

The Budget Subcommittee will seek assurances that a centralized department, enterprise-wide purchasing approach—the contracting methodology adopted with the ill-fated Oracle contract, resulting in the disestablishment of the Department of Information Technology—will not again lead to poor IT contract decisions.

The fiscal analysis of SB 834, provided a legislative fiscal committee, characterizes the expense for the OCIO as "currently funded" and "absorbable." The Budget Subcommittee will want the Administration to explain why the OCIO should be funded at \$7.8 million and nearly 50 positions above what statute intended. Further, the Budget Subcommittee will want to

understand why this level of proposed authority shouldn't again receive the full scrutiny of policy committees.

## 0650 Office of Planning and Research

The Office of Planning and Research (OPR) assists the Administration with legislative analysis and planning, policy research, and liaison with local governments. The OPR also oversees programs for small business advocacy, rural policy, and environmental justice. In addition, the office has responsibilities pertaining to state planning, California Environmental Quality Act assistance, environmental and federal project review procedures, and overseeing the California Service Corps.

The Governor's budget funds 91.3 positions (including 19 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$10,263	\$10,436	\$173	1.7%
Federal Trust Fund	38,312	38,405	93	0.2
Reimbursements	2,217	3408	1,191	53.7
<b>Total</b>	<b>\$50,792</b>	<b>\$52,249</b>	<b>\$1,457</b>	<b>2.9%</b>

### Highlights

**Tribal Consultations and Guidelines.** The OPR requests \$195,000 General Fund to continue training and outreach to tribal governments and updating the state's *General Plan Guidelines*, utilized by communities throughout California when updating their general plans. The request includes a one year extension of a Senior Planner position for tribal support, established for two years limited-term in the 2005 Budget Act. Pursuant to Chapter 905, Statutes of 2004 (SB 18), the OPR were directed to develop consultation guidelines for local governments and tribes in order to encourage protection of Native American lands.

**Office of the Small Business Advocate.** The OPR requests \$234,000 General Fund and two positions to fund the Office of the California Small Business Advocate (CSBA). Prior to the disestablishment of the Office of Trade and Commerce in 2002, functions of the Office of the CSBA was transferred to the OPR. The OPR has performed the duties of the CSBA over the last five years by periodically establishing a CSBA and funding it from existing resources. However, the OPR believes that 2006 legislation adding new responsibilities for the CSBA to study the effects of state regulation on small businesses and to develop an emergency preparedness handbook necessitates ongoing funding.

**Homeland Security Grant Program.** The OPR's California Service Corps requests \$3 million in federal fund reimbursements from the State Homeland Security Grant Program in order to enhance local communities' emergency response through training, outreach, and other volunteer

service opportunities. The Administration has designated the California Service Corps to administer the federal Citizen Corps Program and coordinate volunteers in the event of an emergency.

## 0690 Office of Emergency Services

The primary purpose of the Office of Emergency Services (OES) is the coordination of emergency activities to save lives and reduce property losses during disasters and to expedite recovery from the effects of disasters. During an emergency, the OES functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes. It also acts as the conduit for federal assistance through natural disaster grants and federal agency support. Additionally, the Office of Homeland Security (OHS) develops, maintains, and implements a statewide comprehensive homeland security strategy to prevent terrorist attacks within the state, reduce the state's vulnerability to terrorism, minimize damage from attacks that may occur, and facilitate the recovery effort. The OHS also serves as the state administering agency for federal homeland security grants and the state's primary liaison with the U.S. Department of Homeland Security.

The budget proposes total expenditures of \$1.3 billion, an increase of \$1.1 million or less than one percent from estimated current year expenditures. General Fund expenditures are anticipated to be \$184.8 million in 2007-08, an increase of \$5.3 million or approximately three percent above revised current year expenditures.

<b>Summary of Programs</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Support of Office of Homeland Security	\$340,020	\$346,305	\$6,285	1.8
Mutual Aid Response	17,173	17,449	276	1.6
Plans and Preparedness	36,968	40,152	3,184	8.6
Disaster Assistance	640,965	643,404	2,439	0.4
Criminal Justice Projects	230,719	218,918	-11,801	-5.1
California Anti-Terrorism Info Center	6,811	6,912	101	1.5
Executive and Administration	7,850	8,489	639	8.1
Distributed Administration	(6,779)	(6,828)	-49	-0.7
Support of Other State Agencies	22,000	22,000	--	0.0
<b>Total</b>	<b>\$1,295,727</b>	<b>\$1,296,801</b>	<b>\$1,074</b>	<b>0.08</b>

<b>Summary of Expenditures</b> (dollars in thousands)				%
	2006-07	2007-08	\$ Change	Change
<i>State Operations</i>				
General Fund	\$46,785	\$52,606	\$5,821	12.4
Federal Funds	64,893	68,091	3,198	4.9
Reimbursements	2,671	2,671	0	0.0
Other Funds	3,935	4,583	648	16.5
Subtotal, State Operations	\$118,284	\$127,951	\$9,667	8.2
<i>Local Assistance</i>				
General Fund	\$132,660	\$132,167	-\$493	-0.4
Federal Funds	1,019,270	1,011,996	-7,274	-0.7
Reimbursements	5,571	--	-5,571	-100.0
Other Funds	19,942	24,687	3,455	23.8
Subtotal, Local Assistance	\$1,177,443	\$1,168,850	-8,593	-0.7
Total	\$1,295,727	\$1,296,801	\$1,074	0.1

### **Highlights and Issues**

**Response and Recovery Division Workload Increase.** The budget includes \$1.2 million (\$608,000 General Fund) and 14 positions to eliminate a significant backlog of disaster assistance claims and provide improved service to local governments and disaster victims.

**Fiscal Administration Best Practices.** The budget provides \$573,000 General Fund and 9 positions to address the need for better fiscal administration, as identified by the Office of State Audits and Evaluations, the Little Hoover Commission, and other state oversight agencies.

**Antiterrorism Funds.** The budget proposes \$5 million from the Antiterrorism Fund to fund a new program to establish the California Port Security Grant Program. This program is intended to provide regional preparedness grants to assist ports in preparing for, responding to, and mitigating potential acts of terrorism by implementing a transportation worker identification program. The Antiterrorism Fund was created by Chapter 38, Statutes of 2002 (AB 1759, Wesson) following the terrorist attacks on September 11, 2001. The fund receives revenues from the California memorial license plates, which are estimated at \$1.3 million annually. Money from the Antiterrorism Fund has not been appropriated in past years, and the estimated available balance is \$5.4 million. The ongoing grant program would be \$1 million annually.

**Independent Gap Analysis.** The 2006 Budget Act requires the OES to contract for an independent gap analysis to assess the strengths and vulnerabilities of California's emergency preparedness system for catastrophic events and the projected costs to address specific roles and possible gaps in state, local, and federal government agencies' capacity to respond, including the areas of governance, interoperability, medical response and surge capacity, evacuation, and economic recovery, and shall consider the role of the private sector in support of government response. The report shall recommend specific funding and policy options to address the identified gaps. The gap analysis will measure the state's baseline emergency capability and

evaluate and quantify areas where systems, resources and organizations can be improved. The analysis is on schedule to be completed by August 1, 2007.

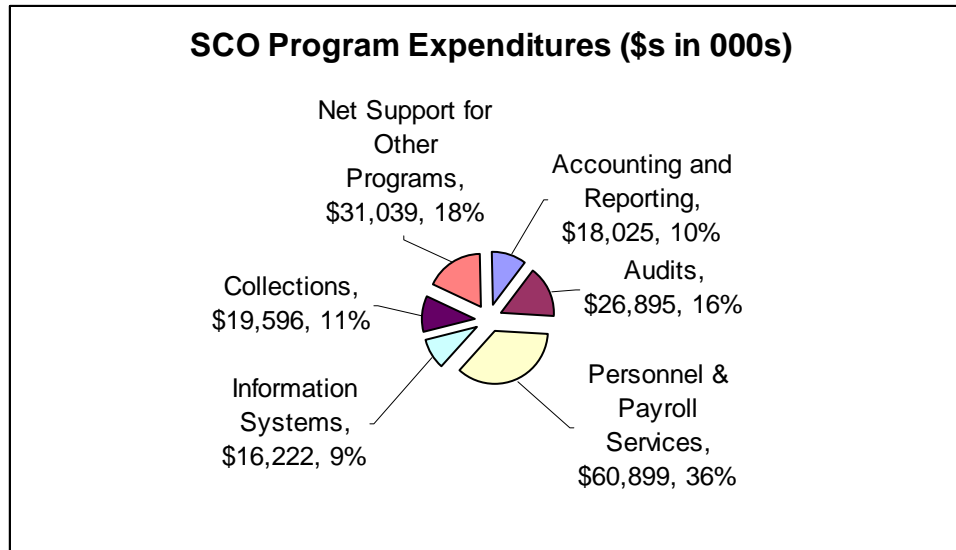
## 0840 State Controller

The State Controller is the Chief Financial Officer of the state. The primary functions of the State Controller are to provide sound fiscal control over both receipts and disbursements of public funds; to report periodically on the financial operations and condition of both state and local government; to make certain that money due the state is collected through fair, equitable, and effective tax administration; to provide fiscal guidance to local governments; to serve as a member of numerous policy-making state boards and commissions; and to administer the unclaimed property law and property tax postponement programs.

The Governor's budget includes 1,234.5 positions (including 136 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$101,559	\$103,430	\$1,871	1.8%
Federal Trust Fund	1,346	1,394	48	3.6
Reimbursements	36,766	41,991	5,225	14.2
Other Funds	22,829	25,257	2,428	10.6
Total	\$162,500	\$172,072	\$9,572	5.9%

The chart below shows SCO expenditures by function:



### Highlights

**Human Resources Management System (HRMS)/21<sup>st</sup> Century Project.** The State Controller's Office (SCO) requests an augmentation of \$38.3 million and 80.6 one-year limited-term positions to complete the system development phase of this project and begin rollout. This request constitutes the fourth year of funding in what is expected to be a six-year, \$140 million project.

This request is part of an ongoing multi-year project to replace existing employment history, payroll, leave accounting, and position control systems. The HRMS will also include a statewide time and attendance capability, greatly enhancing the Controller, Administration, and Legislature's fiscal oversight abilities. For example, it is expected that the system will eventually capture actual salary savings at each department, replacing the arbitrary five percent standard used statewide today.

**Technology, Trade, and Commerce Program Staffing.** The SCO requests \$90,000 General Fund to extend a limited-term position for two additional years in order to collect and account for loan debts due to the state from the former Technology, Trade, and Commerce Program. The SCO assumed all loans, grants, and encumbrances when the Technology, Trade & Commerce Agency (TT&C) was disestablished in 2003.

**Clean-up of Contaminated Property in Stockton.** The SCO requests \$1 million (Underground Storage Tank Cost Recovery Fund) to perform remediation on real property that has escheated to the state. The petroleum-contaminated parcel is located in Stockton's Central Business District and is owned by the State of California. The regional water quality control board recently met with the SCO and urged them to quickly mitigate the problem or face possible litigation.

**Mandate Auditors: Conversion of Limited-Term to Permanent.** The SCO requests \$999,000 to make 11 expiring limited-term positions permanent. In 2005-06 the Legislature augmented the SCO budget by \$996,000 and 11 positions to analyze older mandate cost claims

that were approaching the end of the statute of limitations for initiating claims audits. For every \$1 spent on these audit efforts, the mandate claim auditors have identified approximately \$17 in over claimed costs.

**Apportionment Payment System.** The SCO requests \$799,000 in fee revenues collected from various special funds to support ongoing maintenance and operation of the Apportionments Payment System (APS). Five positions would be funded by this assessment and a previously approved General Fund appropriation of \$62,000. The APS project was developed to fix a dangerously overburdened system that endangered timely distribution of apportionments to local agencies. Funding for this activity is provided through a statewide budget item, Control Section 25.50.

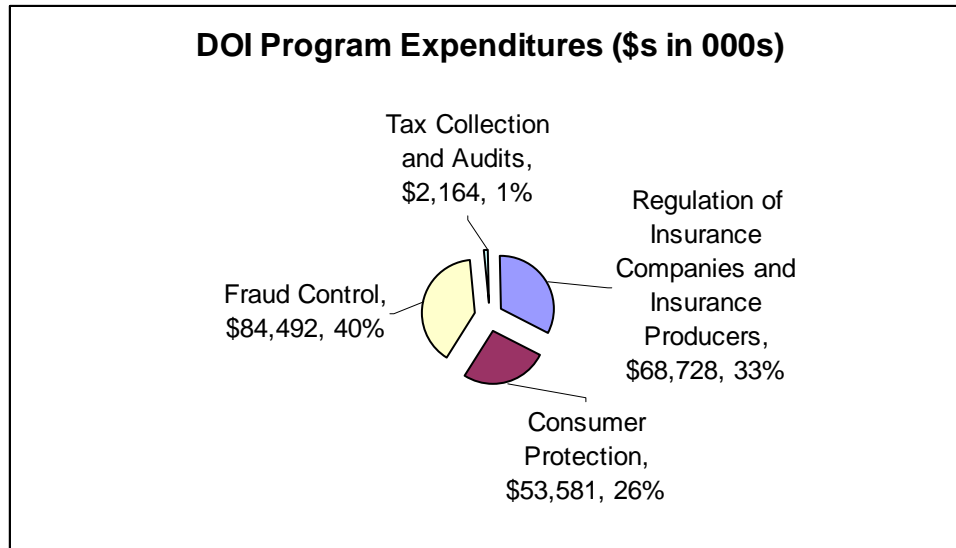
**Salary Increase for Staff Management Auditors.** The SCO requests \$224,000 (\$106,000 General Fund) to support a five percent salary increase for the Staff Management Auditor (Specialist), established in 2006-07 with Department of Personnel Administration approval. The SCO has experienced significant recruitment and retention problems because of unfavorable Staff Management Auditor salary comparisons between the SCO and other state and local agencies.

## 0845 Department of Insurance

Under the leadership of the state's Insurance Commissioner, the Department of Insurance regulates the largest insurance market in the United States with over \$118 billion in direct premiums written in the state. The Department conducts examinations and investigations of insurance companies and producers to ensure that operations are consistent with the requirements of the Insurance Code and those insurance companies are financially able to meet their obligations to policyholders and claimants. The Department also investigates complaints and responds to consumer inquiries; administers the conservation and liquidation of insolvent and delinquent insurance companies; reviews and approves insurance rates; and combats insurance fraud.

The Governor's budget funds 1,263.4 positions (no new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)				
	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
Insurance Fund	\$207,529	\$208,715	\$1,186	0.6%
Reimbursements	250	250	0	0.0
<b>Total</b>	<b>\$207,779</b>	<b>\$208,965</b>	<b>\$1,186</b>	<b>0.6%</b>



### Highlights

**Intervenors.** The Department of Insurance proposes an increase of \$780,000 (Insurance Fund) ongoing for increased expenses associated with contracted “intervenors,” who act on behalf of consumers to resolve compensation claims conflicts with insurers. Intervenors may be compensated by either the Insurance Commissioner or a judge.

**Upgrade of Legal Branch Positions.** The Department of Insurance requests \$164,000 (Insurance Fund) to upgrade two Staff Counsel III positions to Staff Counsel IV positions and upgrade 23 Staff Counsel II positions to Staff Counsel III positions. The department believes that expanding scope of practice and retention issues necessitate these salary increases.

**Automobile Insurance Fraud Program Spending Authority Increase.** The Department of Insurance requests \$1.6 million (Insurance Fund) to distribute assessments collected from insurers to district attorneys to investigate and prosecute fraudulent automobile insurance claims. The department’s Automobile Insurance Fraud Program is funded by an annual fee of one dollar per insured vehicle, paid by California insurance companies.

**Enterprise Information Portal.** The Department of Insurance requests authority to redirect two positions and associated funding from the Regulation of Insurance Companies and Producers Program to the Administration Program to assist in the implementation of the Enterprise Information Portal. The Enterprise Information Portal, a computer system designed to aggregate multiple insurance data sources into a usable format, was established in 2005-06 with a \$2 million initial appropriation.

### ISSUES

**Increase to Local Assistance Workers’ Compensation Spending Authority.** The Department of Insurance requests \$1.3 million (Insurance Fund) ongoing to fund increased investigations and prosecution of workers’ compensation fraud. This augmentation would raise the size of this annual subvention to local district attorneys to \$22.7 million (Insurance Fund). The need for an additional assessment on insurers for this activity was decided by the Governor-appointed Fraud Assessment Commission in December 2005.



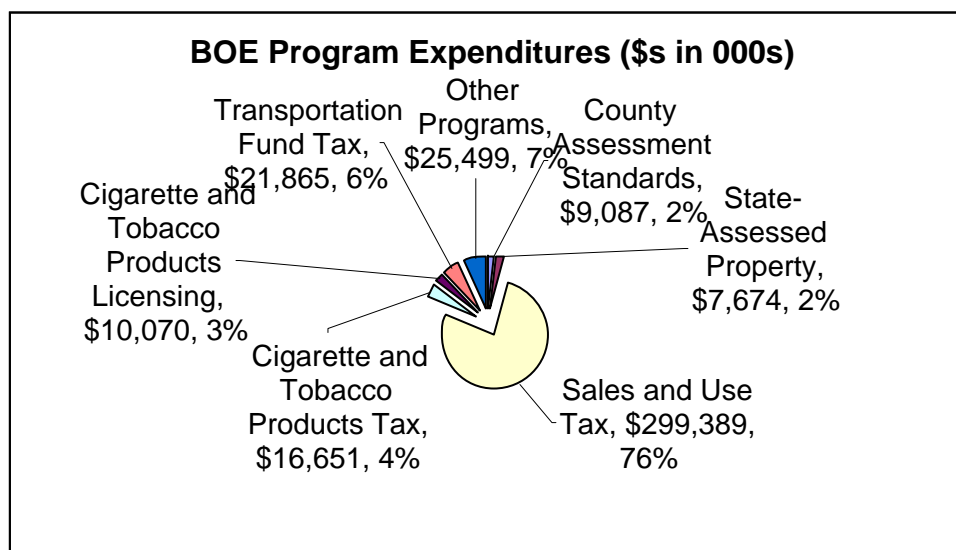
This issue was funded in the current year for one year only, based on the understanding that a separate workers' compensation fraud study would provide findings relevant to how the department combats workers' compensation fraud. The Budget Subcommittee will want to understand how those findings support this request.

## 0860 State Board of Equalization

The State Board of Equalization (BOE), the Franchise Tax Board, and the Employment Development Department are the state's major tax collection agencies. The BOE collects state and local sales and use taxes and a variety of business and excise taxes and fees, including those levied on gasoline and diesel fuel, alcoholic beverages and cigarettes, and others. The BOE also assesses utility property for local property tax purposes, oversees the administration of local property tax by county assessors, and serves as the appellate body to hear specified tax appeals, including Franchise Tax Board decisions under the personal income tax and bank and corporation tax laws.

The Governor's budget funds 3,800 positions (including 81 new positions) and budget expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$215,984	\$218,135	\$2,151	1.0%
Motor Vehicle Fuel Account	20,118	20,865	747	3.7
Federal Trust Fund	1,228	1,594	366	29.8
Reimbursements	115,334	117,351	2,017	1.7
Other Funds	31,656	32,290	634	2.0
<b>Total</b>	<b>\$384,320</b>	<b>\$390,235</b>	<b>\$5,915</b>	<b>1.5%</b>



### Highlights

The Governor's budget includes several tax gap enforcement activities which altogether would generate \$12.5 million in new General Fund revenues.

**Consumer Use Tax Section Revenue Enhancement.** The Administration requests to make permanent six limited-term positions first established in 2005, at an ongoing cost of \$313,000 (\$203,000 General Fund). These positions will ensure collection of use tax in the compliance program for vehicles, vessels, and aircraft. Based on the last two years of program activity, the BOE anticipates annual revenues of \$4.3 million, a 14:1 benefit-cost ratio.

**U.S. Customs Program Augmentation.** The Administration requests 15.5 limited term positions, one permanent position, and \$1.1 million (\$696,000 General Fund) for the purpose of developing and investigating tax leads turned over by the U.S. Customs service. U.S. Customs electronic records tell the BOE where out-of-state imports were shipped in-state, information that can be compared to use tax payments. Based on the activity in this program over the last two years the BOE anticipates revenues of \$15.2 million to be generated, a 13:1 benefit-cost ratio.

**Alcohol Beverage Tax Program Workload.** The Administration requests two permanent positions and \$244,000 General Fund to restore resources for conducting field audits, collections, tax return processing, refunding and other tasks associated with administering the alcohol beverage tax. The BOE asserts that current staffing levels are inadequate to complete workload and generate the full amount due in annual alcohol beverage tax revenue. The BOE anticipates these resources will generate \$1.3 million, a 5.7:1 benefit-cost ratio.

**Tire Fee Increase Workload.** The Administration requests to make permanent 5.8 currently limited-term positions at a cost of \$485,000 (California Tire Recycling Management Fund), in order to strengthen the BOE's ability to collect the tire fee. Collection efforts from the current

positions have yielded a more than 60:1 benefit-cost ratio. Additionally, the Administration seeks statutory authority to shift reimbursement for BOE staff work from reimbursement by the California Integrated Waste Management Board to a direct appropriation from the California Tire Recycling Management Fund.

**Electronic Waste Recycling Fee Workload Adjustment.** The budget includes a reduction of 20.7 positions and \$1.3 million (E-Waste Recovery and Recycling Account). Additionally, the BOE seeks to extend six expiring limited-term positions for an additional two years, at a cost of \$230,000. This realignment is intended to align budgeted dollars and staffing with a revised workload estimate of e-waste registered retailers.

**International Fuel Tax Agreement (IFTA) Workload Growth.** The Administration requests 11 new positions, including 8 new positions and 3 three-year limited-term positions, funded by redirecting existing funding of \$1 million from the Motor Vehicle Fuel Account. This proposal will better enable the BOE to meet national IFTA membership requirements and protects the estimated \$3 billion in matching federal funds. The BOE anticipates these new positions will generate an additional \$2.7 million annually for the Motor Vehicle Fuel Account.

**Motor Vehicle Fuel Audit Staff Augmentation.** The Administration requests \$715,000 (Motor Vehicle Fuel Account) and 5 audit positions to take advantage of new data generated by an automated reporting system and ensure tax compliance within the BOE's transportation tax programs; the motor vehicle fuel tax, diesel fuel tax, and jet fuel tax. The BOE anticipates revenues of \$14 million associated with these positions, a 21:1 benefit-cost ratio.

**Expanded Environmental Fee Program (Assembly Bill 1803).** In accordance with Chapter 77, Statutes of 2006 (AB 1803, Committee on Budget), the Board of Equalization requests reimbursement authority to recover costs associated with implementing and administering statutory changes to the BOE's Environmental Fee Program. Five new positions and \$483,000 (fee reimbursements) are needed to carry out these changes. AB 1803 expanded the types of businesses subject to the environmental fee to include limited liability companies, limited partnerships, limited liability partnerships, general partnerships, and sole proprietorships.

**E-Filing Infrastructure Project.** The Administration requests two positions and \$1.5 million (including \$949,000 General Fund) to expand electronic filing of returns to include the most complex and detailed returns. These returns constitute approximately 175,000 accounts and 89 percent sales and use tax revenues. The BOE anticipates that this expansion of e-file capacity will enable them to accelerate revenue collections by about \$20 million each year.

**Tobacco Products Manufacturer and Importing Licensing (AB 1749).** In accordance with Chapter 501, Statutes of 2006 (AB 1749, Horton) the Board of Equalization seeks 8.1 positions and \$1.2 million (\$181,000 General Fund) to implement AB 1749. This bill expanded the licensing and reporting requirements for tobacco manufacturers and importers. The BOE expects additional revenue of approximately \$4.2 million annually, a 6:1 benefit-cost ratio.

**Tax Payment Delinquencies: Public Disclosure (AB 1418).** In accordance with Chapter 716, Statutes of 2006 (AB 1418, Horton) the Board of Equalization seeks one, two-year limited-term position and \$106,000 (\$69,000 General Fund) to implement AB 1418. This bill required the

BOE and Franchise Tax Board to compile and make public on a quarterly basis a list of the 250 largest delinquent taxpayers.

**Vehicle, Vessel, and Aircraft Use Tax Payments.** The Administration proposes to make permanent a statutory requirement that use tax be paid if a vehicle, vessel or aircraft is brought into the state within 12 months of purchase. Currently, use tax (state and local) is imposed on property purchased outside of California at the same rate and with the same method as the sales tax, but brought into and used in California. Unless amended, a suspended provision of law would be reactivated declaring that a vehicle, vessel, or aircraft purchased outside the state and brought into the state 90 days after purchase is not subject to the tax.

## 0890 Secretary of State

The Secretary of State (SOS), a constitutionally established office, is the chief election officer of the state and is responsible for the administration and enforcement of election laws. The office is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and the perfection of security agreements. The Secretary of State is responsible for the appointment of notaries public, enforcement of notary law and preservation of certain records with historical significance. The Secretary of State's office includes Elections, Political Reform, Business Programs, Archives, and Information Technology and Management Services Programs.

The Governor's budget funds 477 positions (including 15 new positions) and budget expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$39,974	\$36,150	-\$3,824	-9.6%
Secretary of State's Business Fees	36,791	36,854	63	0.2
Federal Trust Fund	14,465	10,673	-3,792	-26.2
Reimbursements	7,347	7,339	-8	-0.1
Victims of Corporate Fraud Compensation	1,624	1,627	3	0.2
<b>Total</b>	<b>\$100,201</b>	<b>\$92,643</b>	<b>-\$7,558</b>	<b>-7.5%</b>

### Highlights/Issues

**Revised Spending Plan for Help America Vote Act Expenditures.** The Governor's Budget includes \$10.6 million in federal fund spending authority to continue implementing HAVA in accordance with a revised expenditure plan. A total of \$369 million in federal funds has been appropriated to California for voter equipment replacement, voter education, and related activities. Of the \$10.6 million requested for expenditure in the budget, \$6.4 million will be used to begin implementing the VoteCal statewide voter database, \$1.1 million to provide election assistance for people with disabilities, \$1.9 million for administration, and \$1.2 million for other elections-related activities.

Given the past history of misuse and delays in encumbering federal funds, the Budget Subcommittee will closely examine the latest expenditure plan, focusing on the projected rates of expenditure and specific use of funds.

**Voter Registration Database Replacement.** The Secretary of State requests 6.5 positions and \$6.9 million in federal fund spending authority to begin the process of replacing the existing

CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database. The VoteCal database will contain the name and registration information for every legally registered active or inactive voter in California. After all federal HAVA funds are expended these positions will be funded by the General Fund.

**Repayment for Help America Vote Act Audit Findings.** The Secretary of State requests \$2.4 million General Fund to repay the Federal Trust Fund for illegal HAVA expenditures identified by the U.S. Elections Assistance Commission. A previous repayment of \$536,000 has been approved in the current year, bringing the total repayment to \$2.9 million.

**Secretary of State Headquarters Repair and Shift to an Individual Rate Building.** The Secretary of State requests \$1.7 million to effect repairs to the Secretary of State's headquarters building in Sacramento, including replacement of the building roof, the establishment of a special repairs fund, and \$15,000 for recurring maintenance for the security keycard system. The Secretary of State also requests to shift the annual budgeting of the headquarters building to an individual rate building, which will enable the establishment of a special repairs reserve account to fund future repairs to the building.

## 0950 State Treasurer's Office

The State Treasurer, a constitutionally established office, provides banking services for state government with the goals of minimizing interest and service costs, and maximizing yield on investments. The Treasurer is responsible for the custody of all monies and securities belonging to or held in trust by the state; investment of temporarily idle state monies; administration of the sale of state bonds, their redemption and interest payments; and payment of warrants drawn by the State Controller and other state agencies.

The Treasurer's Office also plays a central administrative role to numerous state boards, authorities, and commissions. The Treasurer serves as chair or member of these various agencies that organizationally report to the State Treasurer's Office. Many of these agencies are authorized to issue debt for specific purposes as permitted by law. These agencies also may advise California municipalities on debt issuance and oversee the state's various investment operations.

The Governor's budget funds 226.6 positions (with 4 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$6,068	\$6,132	\$64	1.1%
Reimbursements	16,533	16,637	104	0.6
<b>Total</b>	<b>\$22,601</b>	<b>\$22,769</b>	<b>\$168</b>	<b>0.7%</b>

### ***Highlights***

**FI\$Cal Support.** The State Treasurer's Office requests four positions and \$481,000 to support the Department of Finance's Financial Information System for California (FI\$Cal) technology project. The FI\$Cal project is a long-term IT project to procure a comprehensive statewide financial management system, incorporating budgeting, accounting, procurement, cash management, and related components.

**Appropriation Reduction for California Industrial Financing Advisory Commission.** The California Industrial Financing Advisory Commission (CIDFAC) requests a reduction of one position and \$151,000 (Industrial Development Fund) to reflect a decrease in workload. The CIDFAC's revenue is generated by manufacturing finance activity, which has slowed considerably in the current economy. Additionally, new financing options available to businesses in Federal and State tax law has slowed CIDFAC activity.

## **STATE AND CONSUMER SERVICES AGENCY**

The State and Consumer Services Agency includes the budgets of the Department of Consumer Affairs (including all bureaus, boards programs and divisions); the Department of Fair Employment and Housing; the Franchise Tax Board; the Department of General Services; and the Department of Technology Services. Departments with major budget change proposals are highlighted. The State Personnel Board; the Public Employees' Retirement System; and the State Teachers' Retirement System are included in the Public Employment and Retirement section of this overview.

### **0510 State and Consumer Services Agency**

The State and Consumer Services Agency oversees the departments listed above, among others.

The Governor proposes \$3.2 million (\$2.5 million General Fund) and 23.7 positions – an increase of \$1.8 million and 14.9 positions.

### ***Highlights***

**Creation of California Office of Information Security and Protection.** The Administration proposes to reorganize the Information Security and Consumer Privacy Protection functions of the State by merging the Office of Privacy Protection (currently within the Department of Consumer Affairs) with the State Information Security Office (currently at the Department of Finance) to create the new Office of Information Security and Protection at the State and Consumer Services Agency. With the addition of three new positions, the Office would have a staff of 14 people and a budget of \$1.7 million. Note, the Administration is also proposing to reorganize other aspects of State information technology (IT) management by shifting certain IT functions at the Department of Finance to the Office of the Chief Information Officer, which was formally created by SB 834 (Chapter 533, Statutes of 2006).

## 1110 & 1111 Department of Consumer Affairs

The Department of Consumer Affairs is responsible for promoting consumer protection while supporting a fair and competitive marketplace. The department serves as an umbrella for 27 semi-autonomous boards and 13 bureaus and programs that regulate over 230 professions. The 2007-08 budget for Consumer Affairs and its associated boards, bureaus, and commissions totals \$447.0 million (no General Fund) and 2,758 positions, which is an increase of \$31.8 million and 113 positions.

### ***Highlights – Boards (1110)***

**Accounting Board.** The Governor proposes various staffing and funding increases that total \$1.3 million and 16.1 new positions. Among these are 3 new positions and \$213,000 for the Practice Privilege Program, which was added by SB 1543 (Chapter 921, Statutes of 2004) to allow out-of-state accountants to practice in California, as specified.

**Various Boards – New Statutory Requirements.** The Governor proposes the following budget augmentations citing the requirements of legislation chaptered in 2006.

- **Medical Board:** \$100,000 (one-time) is requested to implement AB 2342 (Chapter 276), which requires the Board, in conjunction with the Health Professions Education Foundation, to study the issue of its providing medical malpractice insurance for physicians and surgeons who provide voluntary unpaid services to indigent patients.
- **Board of Barbering and Cosmetology:** \$188,000 and 1.5 positions (ongoing) are requested to implement new workload requirements mandated by AB 861 (Chapter 411), which requires a study on licensing individuals with criminal records and allows the Board to issue probationary licenses.
- **Dental Board:** \$69,000 and 0.5 positions are requested to address increased licensing workload created by the enactment of SB 438 (Chapter 909), which broadens the scope of practice for Oral and Maxillofacial surgery permit holders. Additionally, \$63,000 and one position are requested to address the increased workload of SB 683 (Chapter 805), which provides an additional licensure pathway.
- **Committee on Dental Auxiliaries:** \$303,000 and two positions are requested to fund examination development workload created by SB 1541 (Chapter 908).

### ***Highlights – Bureaus (1111)***

**Professional Fiduciaries Bureau.** The Governor requests \$1.1 million and five positions in 2007-08 for the newly-created Professional Fiduciaries Bureau. The Bureau was established by SB 1550 (Chapter 491, Statutes of 2006) and will license and regulate professional fiduciaries.

**Bureau of Automotive Repair.** The Governor proposes an augmentation of \$12.3 million and 9.1 positions in 2007-08 and \$22.9 million and 13 positions in 2008-09 to implement the provisions of AB 1870 (Chapter 761, Statutes of 2006). AB 1870 requires the Bureau to incorporate a visible smoke test into the Smog Check Program and increase the polluting vehicle retirement payment from \$1,000 to \$1,500.



**Bureau of Private Postsecondary and Vocational Education.** The Governor proposes to continue the operation of the Bureau, which is scheduled to sunset effective July 1, 2007. The Administration proposes a funding increase of \$3.4 million and 21.4 positions. Additionally, the Administration indicates it will sponsor legislation to reform the Bureau's operations.

## **1700 Department of Fair Employment and Housing**

The objective of the Department of Fair Employment and Housing (DFEH) is to protect the people of California from unlawful discrimination in employment, housing, and public accommodations, and from the perpetration of acts of hate violence.

The Governor proposes \$24.4 million (\$18.6 million General Fund) and 228.2 positions – an increase of \$2.6 million and 16.2 positions.

### ***Highlight***

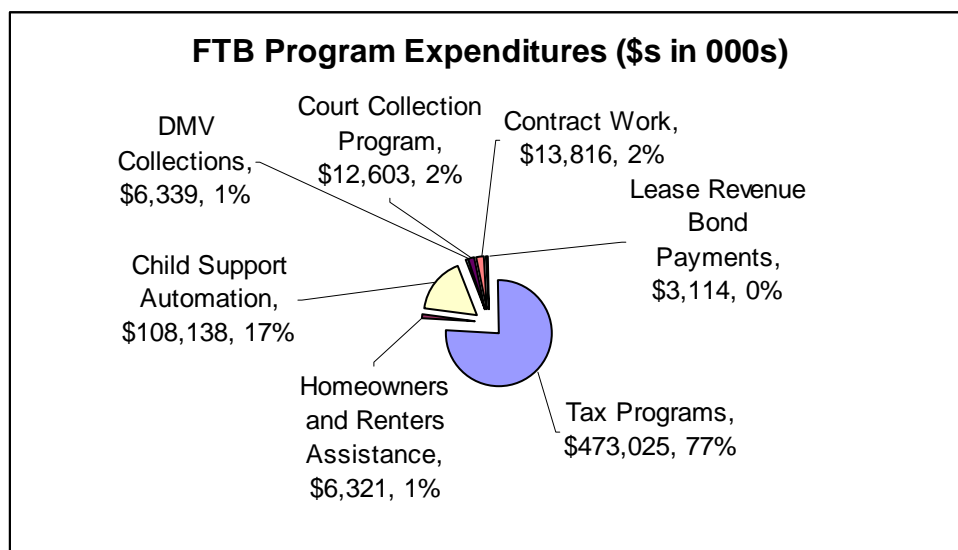
**Staffing Augmentation.** The Administration submitted two proposals to increase staffing. Budget Change Proposal #1 requests \$873,000 (General Fund) and seven positions to address the increasing number of housing cases filed annually. Budget Change Proposal #2 requests \$1.5 million (General Fund) and 10 positions to address increased workload in the legal and administration areas.

## 1730 Franchise Tax Board

The Franchise Tax Board (FTB) administers state personal income tax and corporation taxes for the State of California, collects debt on behalf of other state agencies and local entities, and performs audits of campaign statements and lobbyist reports authorized by the Political Reform Act of 1974. The FTB is tasked to correctly apply the laws enacted by the Legislature; to determine the reasonable meaning of various code provisions in light of the legislative purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

The Governor's budget funds 5,174 positions (including 240 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$562,159	\$517,959	-\$44,200	-7.9%
Motor Vehicle Account	2,180	2,198	18	0.8
Motor Vehicle License Fee Account	4,106	4,141	35	0.9
Court Collection Account	10,572	12,603	2,031	19.2
Reimbursements	184,161	86,354	-97,807	-53.1
Other Funds	101	101	0	0.0
<b>Total</b>	<b>\$763,279</b>	<b>\$623,356</b>	<b>-\$139,923</b>	<b>-22.0%</b>



**Highlights**

**E-Commerce Portal Infrastructure.** The Administration requests \$1.5 million General Fund and one position to replace the current Internet infrastructure at the Butterfield Way campus in Sacramento and provide redundancy to accommodate growth in the FTB's e-commerce programs. These programs facilitate taxpaying by providing online filing services and other capabilities previously done by mail or phone. This request represents year one of a three-year project of which total costs are expected to be \$4.5 million.

**Legal Support for Abusive Tax Shelters.** The Administration requests \$1.3 million and 10 new positions to address Abusive Tax Shelter workloads. This workload was first funded in a 2005-06 budget change proposal on a limited-term basis. Projected workload has not abated since the positions were established and the department seeks to establish the positions permanently.

**Child Support Automation System.** The department requests a budget reduction of \$99.2 million (\$33.7 million General Fund) to reflect reduced project costs for the implementation of the CCSAS project. The CCSAS is a multi-year information technology project to develop, implement, and maintain an automated child support tracking system. This request conforms to the timelines and findings of the latest project Special Project Report and progress reports filed with the Federal government.

**Tax Payment Delinquencies: Public Disclosure (AB 1418).** In accordance with Chapter 716, Statutes of 2006 (AB 1418, Horton) the Franchise Tax Board seeks one, 1-year limited-term position and \$144,000 General Fund to implement AB 1418. This bill required the BOE and Franchise Tax Board to compile, and make public on a quarterly basis, a list of the 250 largest delinquent taxpayers in excess of \$100,000. The FTB estimates that this action will generate \$30 million in 2007-08 and \$5 million thereafter.

**Elimination of Tax Clearance Certificate (AB 2341).** The Administration proposes to recognize savings of \$1.3 million General Fund and a reduction of 18 positions to reflect the implementation of Chapter 773, Statutes of 2006 (AB 2341, Villines). This bill eliminated a requirement for businesses to obtain a tax clearance when they closed down and in some cases suspends liability for the annual or minimum franchise tax.

**Teacher Retention Tax Credit.** The Governor's Budget proposes elimination of the statutory authority for the Teacher Retention Tax Credit, which would generate savings of \$165 million General Fund. The tax credit provides up to \$1,500 to credentialed teachers, depending on their years of service. Created in 2000, the credit has been suspended in 2002, 2004, 2005, and 2006.

**Issue**

**Tax Gap Budget Change Proposal.** The FTB estimates that the tax gap, the difference between what taxpayers actually pay and what they should pay, is around \$6.5 billion/year. In a typical tax year, approximately 89 percent of all taxes owed are ultimately paid, with the remaining 11 percent constituting the tax gap. The tax gap is harmful to the state in many ways, but

principally because: (1) those who pay their fair share pay higher taxes to cover the gap, and (2) tax collections are undermined by the public perception that some are not paying their fair share.

The tax gap is manifested in three forms: manipulated tax filings through underreporting of income and overstating deductions; nonfiling of tax returns; and underpayment of amounts owed. Underreporting income and overstating deductions is by far the most common form (80 percent of total) with nonfiling and underpayments making up the remaining causes (about 10 percent each).

The Administration requests funding of \$19.6 million General Fund and 230 positions to support existing efforts to narrow the tax gap and develop new initiatives to further close that gap. Anticipated revenues in the budget year are approximately \$77.5 million in the budget year. These important and far-reaching proposals include the extension of positions and activities approved in prior budgets. The continuing initiatives include efforts to detect preparers of fraudulent returns, identifying new information sources to identify non-filers, and augmenting audit and collections staff.

The new initiatives focus on longer-term approaches to narrowing the tax gap and are based on a recently developed strategic plan to address the tax gap. They include: expanding the corporate non-filer program, addressing out-of-state tax avoidance, and improving methods for detecting under reporters.

Consistent with past years' practice, the Budget Subcommittee will seek to clarify the benefits of these initiatives, gauge the impact on taxpayer behavior, and explore other means to narrow the \$6.5 billion tax gap even further.

**Restoration to Customer Service Level.** The administration requests \$1.3 million and 27 positions to restore staffing levels in the Franchise Tax Board's Contact Centers and related supporting workloads. These call center positions were eliminated in recent years to meet budget reduction targets and the department now asks that they be restored in order to restore taxpayer and tax practitioner customer service and meet a response time target of responding to 80 percent of all calls within 2 minutes.

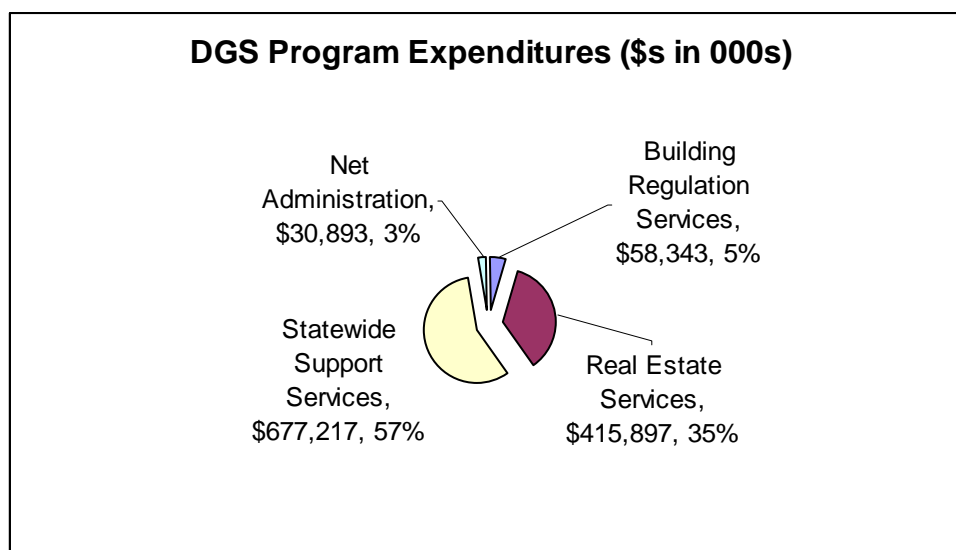
Given the Administrations' extensive emphasis on taxpayer enforcement actions over the past few years, the Budget Subcommittee will look closely at this proposal and other means to better facilitate taxpayers' contact with FTB.

## **1760 Department of General Services**

The Department of General Services (DGS) provides management review and centralized support services to state departments. The DGS is responsible for the planning, acquisition, design, construction, maintenance, and operation of the state's office space and properties, as well as the state's procurement of materials, communications, transportation, printing, and security.

The Governor's budget funds 3,703 positions (including 67 new positions) and expenditures as follows:

<b>Summary of Expenditures</b> (dollars in thousands)				
	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$8,012	\$9,225	\$1,213	15.1%
State Emergency Telephone Number Account	157,931	154,578	-3,353	-2.1
State Motor Vehicle Insurance Account	29,937	30,034	97	0.3
Public School Planning, Design, & Construction Review Revolving Fund	35,440	35,638	198	0.6
Architecture Revolving Fund	40,132	41,283	1,151	2.9
Service Revolving Fund	767,142	878,436	111,294	14.5
Other Funds	32,498	33,156	658	2.0
<b>Total</b>	<b>\$1,071,092</b>	<b>\$1,182,350</b>	<b>\$111,258</b>	<b>10.4%</b>



### Highlights

**Support for Implementation of the Global Warming Solutions Act of 2006.** The Administration requests five positions and \$428,000 (Service Revolving Fund) to support the Bureau of Property Management's implementation of Chapter 488, Statutes of 2006 (AB 32, Nunez), the Global Warming Solutions Act of 2006. The Act and related Executive Orders

require DGS to reduce energy purchases for state-owned buildings and to design, build, and operate “greener” buildings.

**Private Consultants for Green Building Initiative.** The Administration seeks \$3 million (Service Revolving Fund) to secure private consultants to pursue Leadership in Energy and Environmental Design (LEED) goals for eleven state office buildings. This energy efficiency goal is based on the Global Warming Solutions Act of 2006 (AB 32, Nunez), and ties to Executive Order S-20-04, an executive order relating to environmental protection. The cost for this consulting service will be shared by the departments occupying the eleven affected buildings.

**Office of Administrative Hearings.** The Administration requests to make permanent 73 limited-term Office of Administrative Hearings attorney and support positions. These positions don’t expire until June 2008 so there will be no fiscal impact in the budget year. The cost to make these positions permanent will be \$9.2 million (Service Revolving Fund) ongoing starting in 2008-09. These staff provide services for the Special Education Dispute Resolution Program, which mediates between school districts and parents of developmentally disabled children. The department has faced difficulty in fully staffing for this program due to the limited term nature of the existing positions. Funding for these positions is provided through an interagency agreement with the Department of Education.

**Baseline Funding Adjustment for Natural Gas Services.** The budget includes \$63.1 million (Service Revolving Fund) to permanently increase the department’s baseline natural gas budget up to \$234.3 million, the expenditure level of the prior year. This increase is driven by the state’s expanded use of natural gas energy, growth in the number of state agency natural gas consumers, and the price of natural gas. The Natural Gas Services Program began in 1997-98 with a budget of \$27 million and has been augmented five times since then, reaching a currently authorized budget of \$173 million.

**Budget Bill Language for Tenant Improvements on DGS Individual Rate Buildings.**

The Administration seeks statutory authorization to allow the department to spend sinking funds without submission of a budget change proposal for tenant improvements or utilization of vacant state-owned office space. The department believes the length of time necessary for approval of a BCP is too long and detrimental to the most cost effective use of state office space.

**Asset Enhancement of Current Surplus Properties.** The budget includes a one-time augmentation of \$1.6 million (Property Acquisition Law Money Account) for external consultant services to enhance the valuation of three current surplus properties. These properties are the Lanterman Developmental Center in Pomona, Fairview Developmental Center in Costa Mesa, and Los Angeles Civic Center. The Department reports that the sale of these properties has the potential to increase the market value of these properties by as much as \$30 million.

**Conversion of Expiring Positions to Permanent in Office of Public School Construction.** The Administration requests \$1.1 million (\$331,000 General Fund) ongoing to make permanent 13 expiring positions in the Office of Public School Construction (OPSC), Fiscal and Program Services Office. The OPSC asserts that not extending these positions would slow the processing of construction applications for the School Facilities Program. These positions will expire on June 30, 2007.

**Secretary of State Building: Conversion to Individual Rate Building.** The Administration seeks \$14.1 million (Service Revolving Fund) to transition the costs of debt service and set up a building rental rate for the building and establish a special repairs reserve account to fund future repairs to the building. The department asserts that the Secretary of State does not have the expertise or funds available to ensure the building is properly maintained and repaired.

**Fleet Analysis and Reporting System.** The budget includes a request for two positions and \$614,000 in 2007-08 (Service Revolving Fund) and four positions and \$1.3 million (Service Revolving Fund) in 2008-09 to continue development of a Fleet Analysis and Reporting System to improve tracking state vehicles. Once fully implemented, the department expects savings in excess of \$2 million from surplus vehicle sales.

**Infrastructure Studies for DGS Buildings.** The budget includes \$230,000 (Service Revolving Fund) for the preparation of two infrastructure studies of DGS buildings. These studies are normally conducted every 20-25 years. The two buildings to be studied are the Gregory Bateson Building and State Personnel Board Building, both in Sacramento.

**California Highway Patrol (CHP) Enhanced Radio System.** The budget includes 14 positions and \$4.9 million (Service Revolving Fund) in 2007-08 and \$9.4 million (Service Revolving Fund) in 2008-09 to facilitate the implementation of a new public safety radio communications system. All costs of this Budget Change Proposal have previously been identified and approved in a CHP BCP and will be recovered through billing the CHP.

**Earthquake Safety Public Buildings Rehabilitation Bond Fund.** The Administration requests to eliminate two positions and \$651,000 in expenditure authority for the Earthquake Safety Public Buildings Rehabilitation Bond Fund. A position to handle project management duties for eight proposed earthquake safety projects would be funded from the Architectural Revolving Fund.

**State Capitol and Grounds Maintenance and Repairs.** The budget includes \$1.2 million General Fund and 4.5 positions to conduct repair projects in the State Capitol and maintenance needs of the barrier system in Capitol Park.

**Support for Department of Finance's FISCAL Project.** The budget includes 17 positions and \$1.9 million (Service Revolving Fund) to support implementation of the Department of Finance's FISCAL project. This project seeks to update budget-related IT infrastructure throughout state agencies and the Legislature. The total FISCAL request for the budget year (directed by the Department of Finance) is \$35.7 million General Fund and 238 positions.

**Capital Outlay BCP: Sacramento Public Safety Communications Decentralization.** The budget includes \$4.8 million (various funds) to commence a design phase for the relocation of two critical public safety communications from the top floor of the Resources Building in Sacramento. The Administration seeks to relocate this type of facility from the downtown area to a more seismically sound structure, at a cost of \$29.5 million General Fund.

**ISSUE**

**Augmentation for Building Security Services.** The Administration requests \$1.1 million (Service Revolving Fund) to fund increased costs contained in the Master Security Services Agreement for 15 state buildings. This agreement and procurement of private security services is overseen by the California Highway Patrol, who had previously provided security services for these buildings.

The Legislature enacted budget bill language directing the Department of General Services to survey departments and report back by March 15<sup>th</sup> on security-related expenditures at state buildings from 2000 to 2006. This proposal will be viewed in light of that information (when provided) and the merits of adopting statewide security standards for state buildings.

**1955 Department of Technology Services**

The Department of Technology Services (DTS) was created in 2005 by the reorganization and consolidation of the Stephen P. Teale Data Center (Teale), the Health and Human Services Data Center (HHSDC), and certain telecommunications functions of the Department of General Services. The DTS serves the common technology needs of state agencies and other public entities. The DTS maintains accountability to customers for providing secure services that are responsive to their needs and represent best value to the state. Funding for DTS is provided by contracts with other state departments.

The Governor's budget funds 767 positions (including 3 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
Department of Technology Services Revolving Fund	\$235,712	\$255,799	\$20,087	8.5%
<b>Total</b>	<b>\$235,712</b>	<b>\$255,799</b>	<b>\$20,087</b>	<b>8.5%</b>

**Highlights**

**FI\$Cal Project Support.** The budget includes three positions and \$352,000 (reimbursements) to support implementation of the Department of Finance's Financial Information System for California (FI\$Cal) project. The FI\$Cal project is a long-term IT project to procure a comprehensive statewide financial management system, to include budgeting, accounting, procurement, cash management, and related components. The budget includes a total of \$35.7 million and 238 permanent positions to support a revised special project report for the FI\$Cal.

**Prior Year Project Expenditure Adjustments.** The Administration requests to reduce the DTS' baseline budget to align appropriations with the ongoing costs of related projects. The proposed reductions decrease expenditures by \$9.3 million in the budget year and \$6.4 million in



2008-09. The DTS is a fee-for-service organization and operates solely upon reimbursements. This BCP requests the funding authority needed to meet customer's needs and requirements.

**Enterprise Data Storage.** The Administration requests \$5.3 million in 2007-08 (DTS Revolving Fund) to purchase and upgrade existing data storage capacity and safeguard customer data in order to meet anticipated growth needs of DTS' more than 450 customers. Specific needs have been identified in the mainframe storage capacity, midrange storage capacity, tape storage capacity, and connectivity infrastructure.

**Network Workload Growth.** The Administration requests a \$3.9 million increase in DTS Revolving Fund spending authority to replace phased-out hardware and accommodate network growth. The funding supports growth in the Wide Area Network, workload growth in supporting the California Child Support Automation System, and replacement of Local Area Network switches where vendor support is ending.

## ***BUSINESS, TRANSPORTATION, & HOUSING AGENCY***

This section includes the budgets of the departments of Alcoholic Beverage Control, Financial Institutions, Corporations, Housing and Community Development, Office of Real Estate Appraisers, Real Estate, and Managed Health Care. Transportation-related departments are included in the transportation section of this overview. Departments with major budget changes are highlighted below.

### **0520 Secretary for Business, Transportation and Housing**

The Secretary of the Business, Transportation and Housing Agency (BT&H) is a member of the Governor's Cabinet and oversees departments within the Agency. In addition, the Secretary's Office oversees smaller programs, such as the Small Business Loan Guarantee Program and the Film Commission, which are budgeted directly in the Secretary's Office.

The Governor proposes total expenditures of \$27.7 million (\$9.5 million General Fund) and 63.6 positions for the Office of the Secretary – an increase of \$2.4 million and three positions.

#### ***Highlights***

**Small Business Loan Guarantee Program – Severe Economic Dislocation Grants.** The Governor requests a one-time appropriation of \$832,000 General Fund and \$4.3 million federal funds to establish a new loan guarantee program that would primarily use federal funds associated with the Sudden and Severe Economic Dislocation (SSED) Program. The Administration indicates that the Technology, Trade, and Commerce Agency, which was abolished in 2003, administered a Sudden and Severe Economic Dislocation Grant Program as a revolving loan program. With the demise of the Agency, the federal money remains, but cannot be accessed without a General Fund match and a new agency home. The new program would provide loan guarantees to small businesses in areas affected by natural disaster or the loss of jobs from a major employer.

**California Travel and Tourism Commission.** The Governor proposes to lower General Fund support from \$7.3 million to \$1 million in both 2006-07 and 2007-08 for the Tourism Commission. This proposal is motivated by the passage of AB 2592 (Chapter 790, Statutes of 2006, Leno) which allows the rental car industry to self-assess a new customer fee to support tourism marketing in California. The new fees are expected to bring in \$25 million in 2006-07 and \$50 million in 2007-08 and annually thereafter, which allows for both General Fund savings and an expanded tourism marketing budget.

**International Trade and Investment Offices.** The Governor requests three new permanent positions, 2007-08 funding of \$591,000, and ongoing funding of \$441,000, to undertake international trade and investment activities. The Administration indicates this request is associated with SB 1513 (Chapter 663, Statutes of 2006, Romero) which, among other provisions, requires the BT&H Agency to complete a study on the role of the state in global markets, develop a strategic international trade and investment plan, convene a statewide partnership to advise the Secretary on the strategic plan and needs of businesses, and study the

feasibility of international trade offices. The Senate Floor analysis for SB 1513 assumed the BT&H Agency could absorb the workload and cost of the study within existing resources.

## **2100 Department of Alcoholic Beverage Control**

The Department of Alcoholic Beverage Control (ABC) administers the provisions of the Alcoholic Beverage Control Act, which vests in the Department the exclusive right and power to license and regulate the manufacture, sale, purchase, possession, and transportation of alcoholic beverages within the state and, subject to certain laws of the United States, to regulate the importation and exportation of alcoholic beverages into and from the state.

The Governor proposes total expenditures of \$51.5 million (no General Fund) and 459.2 positions – a decrease of \$716,000 and no change in positions. No budget change proposals were submitted for the ABC.

## **2150 Department of Financial Institutions**

The Department of Financial Institutions (DFI) regulates depository institutions, including commercial banks, savings associations, credit unions, industrial loan companies, and certain other providers of financial services. In addition, the Department licenses and regulates issuers of payment instruments, including companies licensed to sell money orders and/or travelers' checks or licensed to engage in the business of transmitting money abroad.

The Governor proposes total expenditures of \$28.4 million (no General Fund) and 224.1 positions - an increase of \$2.4 million and 13.7 positions.

### ***Highlight***

**Additional Examiners.** The Governor proposes to augment the budget by \$1.2 million and 10 positions (eight Examiners, one Office Technician, and one Financial Institutions Manager) to expand bank examinations in the areas of electronic banking and disaster preparedness. The Administration indicates that California's oversight in these areas is deficient relative to other states.

## **2180 Department of Corporations**

The Department of Corporations administers and enforces state laws regulating securities, franchise investment, lenders, and fiduciaries.

The Governor proposes total expenditures of \$33.9 million (no General Fund) and 277 positions, an increase of \$553,000 and 1.8 positions from the revised current year amounts.

### ***Major Budget Proposals***

**Examiner Workload.** The Administration submitted two proposals to address increased workload for Examiners. The permanent continuation of three limited-term Examiners and \$342,000 is requested for the Lender-Fiduciary Program. Two Staff Services Analysts and

\$159,000 is requested for the Investment Program to take over certain analytical duties currently performed by Examiners to allow current Examiners to spend more time in the field.

## **2240 Department of Housing and Community Development**

A primary objective of the Department of Housing and Community Development (HCD) is to expand housing opportunities for all Californians. The Department administers housing finance, economic development, and rehabilitation programs with emphasis on meeting the shelter needs of low-income persons and families, and other special needs groups. It also administers and implements building codes, manages mobilehome registration and titling, and enforces construction standards for mobilehomes.

The Governor proposes \$968.6 million (\$15.6 million General Fund) and 597.2 positions for the department – an increase of \$314.3 million (48 percent) and 70.3 positions.

### ***Revenue Changes***

The majority of the Department's expenditures are supported by general obligation bond revenue. The budget includes \$58 million from the Emergency Shelter Trust Fund Act of 2002 (Prop 46) – down by \$170.8 million from 2006-07 due the full expenditure of bond funds for some programs. The budget includes \$659.4 million from the Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C). Portions of Prop 1C funds are continuously appropriated, and the Department is using this existing authority to expend \$161 million in Prop 1C funds in 2006-07.

The second largest revenue source is federal funds, estimated at \$174.5 million in 2007-08, which is about the same as 2006-07. Remaining expenditures of about \$77 million are covered by the General Fund (\$15.6 million), fees, and other miscellaneous revenues.

### ***Highlights***

**Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C).** Prop 1C provides for a general obligation bond issuance not to exceed \$2.85 billion. The Governor proposes to expend \$659.4 million of Prop 1C revenues in 2007-08 (including \$6.4 million and 45 new positions for administration). Using existing expenditure authority, the Department plans to spend \$161 million in 2006-07 (including \$1 million for administrative costs), for a combined two year total of \$820 million. Some Prop 1C programs are already continuously appropriated and other programs require a Budget Act appropriation to authorize expenditure. The Administration also indicates it will be submitting budget trailer bill language to implement certain Prop 1C programs. The chart below outlines proposed Prop 1C expenditures by category and indicates whether each program will be administered by the Housing and Community Development (HCD) Department, or by the California Housing Finance Authority. Dollars are in thousands and 2006-07 and 2007-08 allocations exclude administrative costs.

Proposition 1C Category	2006-07 Allocations	2007-08 Allocations	Total Prop 1C	Approp Type	Budget
<b><u>Homeownership Programs</u></b>					
CalHome	\$35,000	\$55,000	\$290,000	Continuous	HCD
CA Homeownership Program (BEGIN)	0	40,000	125,000	Budget Act	HCD
Self-Help Housing Program	0	3,000	10,000	Continuous	HCD
CA Homebuyers Down- payment Assistance Program	0	15,000	100,000	Continuous	CalHFA
Residential Development Loan Program	0	15,000	100,000	Continuous	CalHFA
Affordable Housing Innovation Fund	0	15,000	100,000	Budget Act	HCD
<b><u>Multifamily Rental Housing Program</u></b>					
General	70,000	140,000	345,000	Continuous	HCD
Supportive Housing	20,000	80,000	195,000	Continuous	HCD
Homeless Youths	15,000	15,000	50,000	Continuous	HCD
<b><u>Other Programs</u></b>					
Serna Farmworker Loans/Grants	20,000	40,000	135,000	Continuous	HCD
Emergency Housing Assistance	0	10,000	50,000	Continuous	HCD
Infill Incentive Grants	0	100,000	850,000	Budget Act	HCD
Transit Oriented Development	0	95,000	300,000	Budget Act	HCD
Housing Urban-Suburban and Rural Parks	0	30,000	200,000	Budget Act	HCD
<b>TOTAL</b>	<b>\$160,000</b>	<b>\$653,000</b>	<b>\$2,850,000</b>		

**Funding Shift for New Permanent Positions.** The Administration submitted two budget change proposals that would shift existing funds from temporary help and contract vendors to establish 21 new state positions.

- Budget Change Proposal #1 would reestablish 18 of the 57 positions lost due to the hiring freeze in 2002 and 2003. The Department would use existing temporary help dollars such that there would be no net funding increase.
- Budget Change Proposal #2 would establish three new positions to perform work currently done by vendors on the Codes and Standards Automated System (CASAS). The Department would shift contract dollars so this proposal would not result in a net funding increase.

**Augmentation for New Permanent Positions.** The Administration submitted five proposals, in addition to the Prop 1C request, that would establish 12 new positions to address workload and/or improve customer service.

- Budget Change Proposal #4 would establish four new positions, at a cost of \$697,000 (redirected General Funds), to increase technical assistance and support for the Enterprise Zone program.

- Budget Change Proposal #6 would establish three new positions, at a cost of \$287,000 (funded with existing fees), to provide oversight of third-party inspections and certification of an increased number of factory-built housing.
- Budget Change Proposal #6 would establish three new positions, at a cost of \$287,000 (funded with existing fees), to provide oversight of third-party inspections and certification of an increased number of factory-built housing.
- Budget Change Proposal #10 would establish one new position, at a cost of \$174,000 (various funds), to handle workload increases in the Technical Support Section of the Information Technology Branch.
- Budget Change Proposal #11 would establish one new position, at a cost of \$116,000 (various funds), to handle workload increases in the Budget and Contracts Office.

## **2320 Department of Real Estate**

A primary objective of the Department of Real Estate is to protect the public in real estate transactions and provide related services to the real estate industry.

The Governor proposes \$46.6 million (no General Fund) and 336.5 positions for the Department – an increase of \$1.6 million, and no change in positions. No budget change proposals were submitted for the Department.

## **2400 Department of Managed Health Care**

The mission of the Department of Managed Health Care (DMHC) is to help California consumers resolve problems with their Health Maintenance Organizations (HMOs) and to ensure a better, more solvent and stable managed health care system.

The Governor proposes \$43.4 million (no General Fund) and 297.3 positions for the Department – an increase of \$72,000 and no change in positions. No budget change proposals were submitted for the Department.

# **GENERAL GOVERNMENT**

## **8620 Fair Political Practices Commission**

The Fair Political Practices Commission has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974. The objectives of the Political Reform Act are to ensure that election campaign expenditure data is fully and accurately disclosed so that the voters may be fully informed, inhibit improper financial practices, and regulate the activities of lobbyists and disclose their finances to prevent any improper influencing of public officials.

The Governor's budget funds 77 positions (including 5 new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$7,441	\$8,048	\$607	8.2%
Total	\$7,441	\$8,048	\$607	8.2%

### ***Highlight***

**Administrative Workload Growth.** The Administration requests five positions and \$604,000 to support administrative workload at the Fair Political Practices Commission (FPPC). Four of the requested positions would assist with budget, personnel and information technology workload, and one would address conflict of interest review issues in the Technical Assistance Division.

## 8860 Department of Finance

The Department of Finance is responsible for advising the Governor on fiscal matters, preparing the annual executive budget, evaluating the operation of state government, and developing economic and demographic information. In addition, the department oversees the operation of the state's accounting and fiscal reporting system. The Office of State Audits and Evaluations assesses the operation of the state's programs. Finally, the Office of Technology, Review, Oversight, and Security serves as the administration's information technology project review unit.

<b>Summary of Programs</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Annual Financial Plan	\$20,976	\$21,081	\$ 105	0.5
Statewide Systems Development Program and Information System Assessments	--	37,941	37,941	100.0
Supportive Data Administration	14,032	12,401	-1,631	-11.6
Distributed Administration	16,332	12,956	3,376	-20.7
	6,168	7,612	1,444	23.4
	-6,168	-7,612	-1,444	-23.8
<b>Total</b>	<b>\$51,340</b>	<b>\$84,379</b>	<b>\$33,039</b>	<b>64.4</b>

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
General Fund	\$37,195	\$68,773	\$31,578	84.9
Other Unallocated Special Funds	--	587	587	100.0
Unallocated Bond Funds – Select	--	127	127	100.0
Other Unallocated Cost Funds	--	352	352	100.0
Reimbursements	14,145	14,540	395	2.8
<b>Total</b>	<b>\$51,340</b>	<b>\$84,379</b>	<b>\$33,039</b>	<b>64.4</b>

### Highlights/Issues

**Financial Information System for California (FI\$Cal).** The budget includes \$35.7 million and 238 permanent positions to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal).

In 2005-06, the DOF began development of a Budget Information System (BIS). The scope of the BIS project was to implement a commercial off-the-shelf Budget Information System to meet statewide and departmental budget development and budget administration needs. The purpose of the BIS was to streamline budget processes and develop a year-round integrated budget



system to replace the multiple legacy budget systems. According to the Legislative Analyst Office, the total budget for BIS was projected at \$138 million.

The proposed budget expands the original project's scope in order to procure a comprehensive statewide financial system that will encompass the management of resources in the areas of budgeting, accounting, procurement, cash accounting, grant management and human resources management and renames the revised project the Financial Information System for California (FI\$Cal). The estimated cost of the revised project is: \$221 million in 2008-09, \$210 million in 2009-10, and \$212 million in 2010-11; presumably these are one-time costs, and it is unclear what would be the ongoing operating costs of such a project. A closer examination of this and other major IT projects is warranted in light of the major cost implications and other functional changes in other areas of the budget.

**Office of Technology Review, Oversight and Security (OTROS).** The budget proposes to transfer \$3.3 million General Fund and 29 positions from OTROS to a newly created Office of the Chief Information Officer (OCIO). According to DOF, transferring the OTROS function to the OCIO will allow the State Chief Information Officer (CIO) to shape project planning documents and to exercise statewide direction, strategic planning and management, as well as control functions such as approval/disapproval of proposed projects, or providing conditional project approval.

## 8885 Commission on State Mandates

The Commission on State Mandates is a quasi-judicial body that makes the initial determination of state mandated costs. The Commission is tasked to fairly and impartially determine if local agencies and school districts are entitled to reimbursement for increased costs mandated by the state.

The Governor's budget funds 14 positions (with no new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$404,095	\$1,715	-\$402,380	-99.6%
State Highway Account	0	8	8	n/a
Motor Vehicle Account	1,551	10,825	9,274	597.9
Dept of Pesticide Regulation Fund	162	666	504	311.1
<b>Total</b>	<b>\$405,808</b>	<b>\$13,214</b>	<b>-\$392,594</b>	<b>-96.7%</b>

### Highlight

The Governor's budget includes no adjustments to the Commission on State Mandates program budget.

**Issues**

**Local Government State Mandates Payments.** The budget includes no funding for General Fund mandate payments. The Administration has adopted a perspective that these mandates are due and payable not at the time individual claims are received (standard practice to date), but instead when all claims are received and audited. This change results in a one time cost shift to 2008-09 and a budget savings of approximately \$125 million.

The Budget Subcommittee will closely examine the legality and practicality of this Administration proposal.

**Statutory Repayment of Past Due State Mandate Claims.** The Administration proposes no payments for past due state mandate claims to local governments. In accordance with Proposition 1A (2004), the state must repay local agencies within 15 years for all of the pre-2004 mandates that have not been reimbursed. The approximate total of past due mandates is \$1.2 billion. However, the current year budget included two years' worth of these payments, allowing the option of forgoing a year's worth of payments in the proposed budget.

**Local Government Mandate Suspensions.** The same twenty-eight mandates that were suspended last year are again recommended for suspension in the budget year. The Budget Subcommittee will carefully evaluate the cost savings and policy implications of suspending each of these mandates.

**Mandate Process Changes.** The Administration has proposed the creation of an alternative mandate claim filing process to potentially reduce delays in mandate determinations and reduce costs. This new "joint determination" process would encourage local agencies and the Department of Finance to determine together, within 12 months of the enactment of a new statute, whether a new mandate has been established and the cost for that mandate. Costs, once agreed upon by both parties, would be submitted for Legislative review in the budget bill. If either the Department of Finance or local agencies disagreed with the joint determination, they may still opt to follow the current mandate determination process.

**8910 Office of Administrative Law**

The Office of Administrative Law is responsible for reviewing administrative regulations proposed by over 200 state regulatory agencies for compliance with standards set forth in California's Administrative Procedure Act, for transmitting these regulations to the Secretary of State, and for publishing regulations in the California Code of Regulations. In response to petitions by interested persons, the Office evaluates whether rules being used by state agencies constitute underground regulations which have not been properly adopted pursuant to the requirements of the Administrative Procedure Act and issues formal determinations reflecting those evaluations. The Office oversees the publication and distribution, in print and on the Internet, of the California Code of Regulations and the California Regulatory Notice Register.

The Governor's budget funds 20 positions (including two new positions) and expenditures as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$2,906	\$2,933	\$27	0.9%
<b>Total</b>	<b>\$2,906</b>	<b>\$2,933</b>	<b>\$27</b>	<b>0.9%</b>

### Highlights

**Conversion of Limited-Term Attorney Positions to Permanent.** The Administration requests \$224,000 General Fund to convert two expiring Staff Counsel positions at the Office of Administrative Law (OAL) to permanent positions. Established in the 2005 Budget, these positions support OAL efforts to enforce laws prohibiting the use of underground regulations. Since establishment, the OAL reports that underground regulation caseload has increased significantly.

**Shift from Reimbursements to Revenue.** The Administration seeks to revise \$298,000 of the Office of Administrative Law's (OAL) spending authority from a reimbursement to a direct General Fund cost basis. This conversion is based on the revisions to the contract with the printer of California's Code of Regulations, which make it more appropriate to make a direct appropriation for printing services.

## 8940 Department of the Military

The Military Department is responsible for the command, leadership and management of the California Army and Air National Guard and five other related programs. The purpose of the California National Guard is to provide military service supporting this state and the nation. The three missions of the California National Guard are to: (1) supply mission ready forces to the federal government as directed by the President; (2) provide emergency public safety support to civil authorities as directed by the Governor; and (3) support local communities as directed by proper authorities. The Military Department is organized in accordance with federal Departments of the Army and Air Force staffing patterns. In addition to the funding that flows through the State Treasury, the Military Department also receives Federal Funding directly from the Department of Defense.

The Governor's budget funds 780 positions (including 95 new positions) and expenditures as follows:

<b>Summary of Expenditures</b> (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$42,330	\$44,829	\$2,499	5.9%
Armory Discretionary Improvement Account	146	150	4	2.7
Armory Fund	1,425	0	-1,425	-100.0
Federal Trust Fund	68,544	70,548	2,004	2.9
Reimbursements	15,286	15,610	324	2.1
California Military Family Relief Fund	250	250	0	0.0
<b>Total</b>	<b>\$127,981</b>	<b>\$131,387</b>	<b>\$3,406</b>	<b>2.7%</b>

### **Highlights**

**Education Assistance Program.** The Administration requests \$1.7 million General Fund in 2007-08 and \$3.3 million General Fund in 2008-09 and ongoing to establish a California National Guard Election Assistance Program to provide tuition assistance for Guard members and support with recruitment and retention efforts. The Administration will propose enabling legislation to establish this program.

**Armory Maintenance and Repair Baseline Increase.** The Administration seeks to address a maintenance backlog for state armories by establishing a baseline increase of \$4.5 million (\$3 million General Fund, \$1.5 million Federal Trust Fund) for an ongoing maintenance and repair budget. These funds would be used for cyclic maintenance and remedial repairs as required. This request follows a one-time augmentation in the same amount for the current year.

**New Armory Utilities Costs and Maintenance Cost Increases.** The Administration requests a baseline increase of \$774,000 (\$442,000 General Fund) and four positions to provide custodial services to four new armories brought online in 2006. Based on the custodial budgets of armories of similar size, the California Military Department estimates operational costs of \$124,000 at each armory.

### **Military Funeral Honors Program.**

The Governor's Budget includes \$1.8 million (General Fund) and 23 positions to provide the additional resources necessary to meet the increased demand for military funeral honors. The proposed administrative staff will train personnel, assign missions, submit reports to the Department of Defense, and perform other support tasks.

**Stationary Engineer Positions.** The Administration seeks to establish two stationary engineer positions at a cost of \$292,000 (\$166,000 General Fund) to assist in the preventive maintenance, perform repairs, and evaluate contractor work at California National Guard facilities. The

department is not currently authorized the Stationary Engineer positions sought for this specialized type of work.

**Service Member Care.** The Administration requests \$165,000 General Fund ongoing and one position to establish a full time mental health care capability. The proposed position will provide emergency crisis counseling, referral and personal support, combat stress evaluations, and other mental health support. Unlike California law enforcement agencies, the California Military Department has no full-time support system in place for service members.

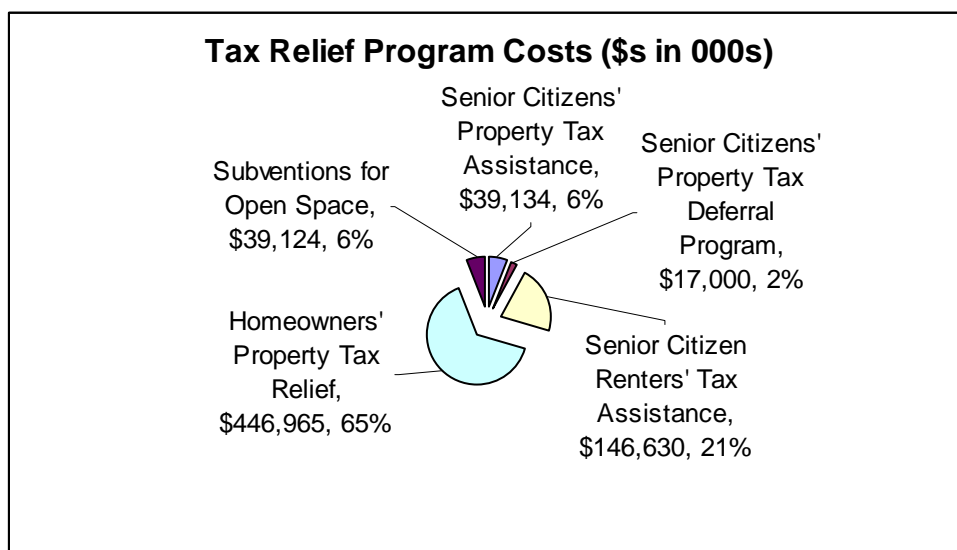
**Homeland Security Training and Exercise Program.** The Administration requests \$5.7 million ongoing (reimbursements) and 12 five-year limited-term positions to expend funds received from the Office of Homeland Security for staffing support and operational expenses. (The Office of Homeland Security received these funds from the Department of Homeland Security.) These positions would support the Office of Homeland Security's statewide antiterrorism program and other training.

**Federal Reimbursements for Force Protection.** The Administration seeks to expend \$3.5 million (Federal Trust Fund) and establish 47 three-year limited-term positions to provide security for California National Guard installations and Army airfields. The Federal government has agreed to provide security staffing at eight selected California National Guard stations that are considered "mission essential."

## 9100 Tax Relief

California offers a variety of tax relief programs by appropriating funds through a reduction in rates or nonrefundable tax credits. The state also provides the following tax relief through the appropriation of funds for payments to individuals or reimbursement of local agencies. Tax relief is provided to individuals who agree to hold their land as open space under the Williamson Act of 1965 and through payments to cities and counties to help defray revenues lost as a result of tax relief programs.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$682,436	\$688,853	\$6,417	0.9%
<b>Total</b>	<b>\$682,436</b>	<b>\$688,853</b>	<b>\$6,417</b>	<b>0.9%</b>



### **Budget Proposal**

**Williamson Act.** The Governor's budget fully funds the Williamson Act subventions for open space preservation at \$39.1 million.

## **9210 Local Government Financing**

Local governments receive a variety of subventions from the state for designated purposes such as health, welfare, and public safety programs. The state provides other assistance to local governments, primarily counties, through other direct programs contained in other items in the budget. For example, Health and Human Services has several programs where the state and counties jointly provide funding for services. State funding is also included in public safety for such issues as local crime labs and suppression of high intensity drug trafficking areas.

Local Government Financing expenditures are as follows:

<b>Summary of Expenditures</b>				
(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$293,934	\$294,309	\$375	0.1%
<b>Total, Fund Source</b>	<b>\$293,934</b>	<b>\$294,309</b>	<b>\$375</b>	<b>0.1%</b>

***Major Budget Proposals***

**Reduction to Redevelopment Bond Debt Backfill.** The Administration proposes to reduce subventions to redevelopment agencies for bond debts by \$1.9 million. This backfill was created to enable payment of debt service after statute reduced personal property tax subventions to redevelopment agencies. Budget bill provisional language is proposed to reform the allocation of this subvention in accordance with the reduced appropriation.

**Rural and Small County Law Enforcement Grants.** The budget fully funds the Rural and Small County Law Enforcement Grants subvention at \$18.5 million. This program provides \$500,000 in grants to 37 rural counties.

**Juvenile Justice Crime Prevention Act (JJCPA).** JJCPA program funding is \$119 million, the equivalent of last year's appropriation.

**Citizen's Option for Public Safety (COPS).** Funding for the COPS program is maintained at \$119 million. This program provides discretionary funding on a per capita basis for local police departments and sheriffs for front line law enforcement (with a minimum guarantee of \$100,000), sheriffs for jail services, and district attorneys for prosecution.

**Local Detention Facility Fees.** The Administration includes an appropriation of \$35 million for activities associated with local detention facilities. Chapter 1805, Statutes of 2006 (AB 1805, Committee on Budget) established that counties, cities and counties, and certain cities may apply to the Controller to receive funding for local detention facilities and related equipment when an appropriation is made for that purpose.

**9840 Augmentation for Contingencies and Emergencies**

Each year, the Budget Act includes appropriation items in Item 9840 to be used to supplement departments' appropriations that are insufficient due to unanticipated expenses or emergency situations. There are three separate appropriations, one for each fund type - General, special, and non-governmental cost funds. These appropriations are allocated to other departments by the Department of Finance (with Legislative review) based upon the determination of need.

<b>Summary of Expenditures</b> (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
<b>Fund Source</b>				
General Fund	\$45,714	\$49,000	\$3,286	7.2%
Other Unallocated Special Funds	9,753	15,000	5,247	53.8
Various Other Unallocated Non-Governmental Cost Funds	15,000	15,000	0	0.0
<b>Total</b>	<b>\$70,467</b>	<b>\$79,000</b>	<b>\$8,533</b>	<b>12.1%</b>

No adjustments are proposed for this item.

## Budget Control Sections

**Control Section 4.05: Unallocated Reductions.** The Governor's Budget includes a \$100 million unallocated reduction for state agency's General Fund appropriations.

The original use of this control section was to reduce departments' budgets through layoffs, hiring freezes, procurement reductions, or other administrative means to achieve reductions. However, in recent years debt financing cost savings and caseload decreases—expenditure adjustments that occur naturally and don't involve departmental reductions—have been increasingly utilized to reach unallocated reduction targets. For example, the current year unallocated reduction goal of \$200 million was met by recognizing more than \$132 million in reduced debt general obligation debt service and interest on General Fund loans. While it is important to recognize these savings for the purpose of an accurate budget, the Budget Subcommittee may wish to reconsider how these reductions are recognized in a statewide control section.

**Control Section 4.26: Elimination of Boards and Commissions.** The Administration proposes a budget control section to instruct the Director of Finance to reduce items of appropriation to reflect savings achieved by abolishing the following boards and commissions: (1) California Consumer Power and Conservation Financing Authority; (2) California Electricity Oversight Board; (3) California Quality Education Commission; (4) Heritage Preservation Commission; and (5) Public Library Construction and Renovation Board.

**Control Section 35.60: Budget Stabilization Account (BSA) Transfer to the General Fund.** The Administration proposes to allow the Director of DOF to make transfers from BSA to the General Fund reserve whenever s/he determines that a shortfall will occur in the General Fund



reserve (with Legislative notification afterwards). This proposal was considered and rejected by Budget subcommittees last year.